

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2497-01
BILL NO.: HB 1316
SUBJECT: Taxation and Revenue-Income; Employees-Employers
TYPE: Original
DATE: February 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$26,438)	(\$99,741,643)	(\$99,741,643)
Total Estimated Net Effect on <u>All</u> State Funds	(\$26,438)	(\$99,741,643)	(\$99,741,643)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Insurance (INS)** state that the tax credit does not apply to premium taxes paid under Chapter 148, therefore there is no fiscal impact to the Department of Insurance.

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a tax credit equal to 75% of the maternity leave wages paid by the employer for the first six months of paid maternity leave per employee, to the extent the wages are not already deducted from the employers federal adjusted gross income. The tax credit is refundable, but cannot be carried forward or transferred.

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation will need one Tax Processing Technician I for every 2,000 new credits claimed per year for processing, and one Tax Season Temporary for every 260,000 credits claimed per year for key entry. Also, one Tax Processing Technician I will be needed for every 30,000 additional individual income tax errors and one Tax Processing Technician I for every additional 3,000 pieces of correspondence received relating to this legislation.

This legislation will require modifications to the income tax system and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$41,617. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$1,867 will be needed for on-going costs.

Oversight assumes the Department of Revenue would require 692 hours of overtime at a cost of \$20,808 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$5,630 for additional storage and fields to be captured.

Officials of the **Secretary of State (SOS)** state this bill creates a tax credit for employers who grant paid maternity leave. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue could require as many as approximately 6 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$22.50. The estimated cost of a page in the Code of State Regulations is

ASSUMPTION (continued)

\$26.50. Costs for this proposal would be \$361.50 for FY 2001. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Office of Administration (COA)** state their office was unable to locate any empirical data to estimate the fiscal impact of this proposal.

According to the 1998 Statistical Abstract of the United States, Table no. 120, for 1995 there were 34,958,000 women who had a live birth. Of those women 52% were employed. Of the women employed 37.3% took maternity leave. According to Bureau of Labor Statistics Monthly Report for Nov. 1999 on Missouri hour and Earnings report for non-farming employment, private sector employment is equivalent to 84% of total employment. A survey from the Society for Human Resource Management reported that paid maternity leave benefits climbed to 49 percent of employers. The survey was published in the CFO, Aug.99, Vol. 15 Issue 8, p 14.

Oversight assumes 2% of 2,790,834 represents Missouri portion of women taking paid maternity leave. Based on information received from the Department of Economic Development Research section, the average weekly pay for private sector employees in Missouri is \$557.40. Oversight assumes that women receive approximately 75 cents on the dollar compared to men. Therefore Oversight used 75% of \$557.40 (\$418) for 6 weeks and then reflected seventy five percent of that amount to estimate the revenue impact of this proposal.

Based on the information above Oversight has calculated the revenue impact of this proposal as follows:

34,958,000 mothers x 52% employed =	18,178,160
18,178,160 x 37.3% took maternity leave=	6,780,454
6,780,454 x 84% private sector employed=	5,695,581
5,695,581 x 49% paid maternity leave=	2,790,834
2,790,834 x 2% =	53,026 women in Missouri
53,025 x \$418 x 6 weeks x 75% =	\$99,741,643 in tax credits

This proposal could result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Loss to General Revenue Fund

Tax credit for employers who offer paid maternity leave.	\$0	(\$99,741,643)	(\$99,741,643)
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Costs - Department of Revenue

Reprogramming costs	(\$26,438)	\$0	\$0
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

<u>(\$26,438)</u>	<u>(\$99,741,643)</u>	<u>(\$99,741,643)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they offer paid maternity leave and received a tax credit.

DESCRIPTION

This bill authorizes a state income tax credit to employers who grant employees paid maternity leave. The credit will be equal to 75% of the amount of maternity leave wages paid by the employer for the first 6 months of paid maternity leave per employee to the extent the wages are included in the employer's federal adjusted gross income after the subtraction of the allowable federal deductions. The credit is refundable, but excesses cannot be carried forward or back. The credit is not transferable. The bill will apply to tax year 2001 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

L.R. NO. 2497-01
BILL NO. HB 1316
PAGE 5 OF 5
February 14, 2000

Department of Revenue
Department of Insurance
Office of Secretary of State
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
February 14, 2000